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E.O. 12356: DECL:03/26/90

TAGS: ELAB, PGOV, MX

SUBJECT: POST REPORTING PROGRAM-- MEXICAN LABOR AND THE  
 AUSTERITY PROGRAM

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

2. SUMMARY: THE WORKING PEOPLE OF MEXICO HAVE SEEN  
THEIR REAL INCOME SUBSTANTIALLY REDUCED BY THE INFLATION  
AND ECONOMIC AUSTERITY PROGRAM. THEY HAVE NEVERTHELESS  
REMAINED LOYAL AND SUPPORTIVE OF THE GOM'S POLICIES.  
LABOR'S LEADERSHIP UNDERSTANDS THE GOVERNMENT'S  
DIFFICULTIES AND HAS TRAVELLED AROUND THE COUNTRY  
TEACHING AND PREACHING SUPPORT FOR ITS EFFORTS.  
VARIOUS UNIONS USE VARIOUS TECHNIQUES TO SOFTEN THE  
BLOW OF REDUCED PURCHASING POWER. NONE IS REALLY  
EFFECTIVE, BUT EACH MEASURE HELPS ALLEVIATE THE PROBLEM  
A LITTLE BIT. UNEMPLOYMENT HAS INCREASED, BUT NOT  
AS MUCH AS SOME PEOPLE FEARED. IF THE GOVERNMENT  
CONTINUES TO PAY HOMAGE TO LABOR'S CONTRIBUTION,

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CONTINUES ITS JOB-CREATION PROGRAMS AND PROVIDES PERIODIC WAGE INCREASES, EVEN IF THEY ARE BELOW THE COST-OF-LIVING INCREASES, THE LABOR MOVEMENT WILL CONTINUE TO BE LOYAL AND SUPPORTIVE. END SUMMARY.

3. ORGANIZED LABOR CONTINUES TO BE SUPPORTIVE OF THE ECONOMIC POLICIES OF THE GOVERNMENT OF MEXICO. THE WORKING CLASS HAS SEEN ITS PURCHASING POWER REDUCED SUBSTANTIALLY THESE PAST TWO YEARS. SERIOUS ESTIMATES OF THAT REDUCTION RANGE AROUND 30 PERCENT. YET THERE ARE MINIMAL PUBLIC DEMONSTRATIONS; THE NUMBER OF STRIKES AND STRIKE THREATS HAS GONE DOWN IN THE PAST YEAR. THERE ARE VIRTUALLY NO OUTWARD SIGNS OF THE KIND OF SOCIAL UNREST WHICH COULD LEAD TO SECURITY AND/OR STABILITY PROBLEMS FOR THE GOVERNING STRUCTURE OF MEXICO.

4. THE REASONS FOR THE ACCEPTANCE BY WORKING PEOPLE OF AN AUSTERITY PROGRAM WHICH CAUSES THEM TO TIGHTEN THEIR BELTS MORE EACH YEAR (SOME SAY EVERY DAY) IS DIFFICULT FOR AN OUTSIDER TO COMPREHEND AND DIFFICULT FOR AN INSIDER TO EXPLAIN. THE STRENGTHS, TRADITIONS, AND INSTITUTIONS OF MEXICO ARE BEING TESTED AND TO DATE THEY HAVE WITHSTOOD THE TEST. IN PARTICULAR, THE INSTITUTION OF A WELL-ORGANIZED, WELL-DISCIPLINED TRADE UNION FORCE, NUMBERING NEARLY TEN MILLION URBAN WORKERS, HAS MAINTAINED ITS LOYALTY AND SUPPORT OF THE SYSTEM THROUGH THE CURRENT ECONOMIC CRISIS. INDICATIONS ARE THAT SUCH LOYALTY AND SUPPORT WILL CONTINUE AS LONG AS THERE IS NOT A COMPLETE ECONOMIC COLLAPSE, AND NO ONE IS SERIOUSLY PREDICTING THAT TYPE OF DISASTER. THE GOVERNMENT PERIODICALLY PAYS PUBLIC HOMAGE TO LABOR'S CONTRIBUTION TO THE AUSTERITY/RECOVERY PROGRAM AND THAT HELPS MAINTAIN SUPPORT.

5. UNEMPLOYMENT HAS INCREASED WITH THE ECONOMIC SLOWDOWN, BUT NOT NEARLY SO BADLY AS SOME PREDICTED. OFFICIAL STATEMENTS BY THE PRESIDENT AND SECRETARY OF LABOR ARE THAT UNEMPLOYMENT INCREASED FROM 4 PERCENT IN 1982 UP TO 8 PERCENT IN 1983 AND THEN STABILIZED. MEXICO HAS NO NATIONAL STATISTICS-GATHERING CAPABILITY

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IN THIS FIELD, BUT TENDS TO RELY ON NUMBERS FROM ITS SOCIAL SECURITY INSTITUTE. THESE MAY INDICATE A TREND, BUT ARE NOT EVEN NEARLY ACCURATE BY U.S. STANDARDS. THEN, TOO, THERE ARE APPROXIMATELY 800,000 NEW WORKERS COMING INTO THE JOB MARKET EACH YEAR AND THESE HAVE NOT BEEN TAKEN INTO ACCOUNT BY THE ABOVE ESTIMATES. THE GOM IS AWARE, HOWEVER, OF THE UNEMPLOYMENT PROBLEM AND IS CONDUCTING SOME JOB-CREATION PROGRAMS IN THE OUTLYING AREAS AIMED AT KEEPING RURAL WORKERS AWAY FROM THE MAJOR CITIES. THE PROGRAMS ARE EXPECTED TO REACH ONLY ABOUT HALF OF THE NEW LABOR MARKET ENTRANTS THIS YEAR. ALSO, LARGE-SCALE EXPANSION PROJECTS ARE UNDERWAY ON THE MEXICO CITY METRO LINE AND THERE ARE SMALL SIGNS OF SOME REAWAKENING IN THE CONSTRUCTION SECTOR. UNEMPLOYMENT WILL CONTINUE TO BE A PROBLEM, HOWEVER, UNTIL THE OVERALL ECONOMY BEGINS TO TAKE OFF AND THAT HAS NOT YET BEGUN.

6. VARIOUS UNIONS ARE DEALING WITH THE REDUCED PURCHASING POWER PROBLEM IN VARYING WAYS. NONE OF THEM OFFERS A SOLUTION, BUT EACH HAS ITS OWN SMALL ALLEVIATION. CTM UNIONS HAVE BEEN INSTRUCTED TO SEEK WAGE INCREASES AS HIGH AS THEIR EMPLOYERS CAN AFFORD, RATHER THAN STAYING WITH THE 30.4 PERCENT GUIDELINE ANNOUNCED ON JANUARY 1 BY THE NATIONAL MINIMUM WAGE COMMISSION. CTM LEADERS HAVE TOLD US THAT THE EXTRA 3-5 PERCENT THEIR MEMBERS RECEIVE IN WAGE INCREASES SERVES AS A "PSYCHOLOGICAL SWEETENER" AND PROVIDES A TEMPORARY

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SATISFACTION TO THOSE WORKERS. THE CONCEPT OF A SECOND INCREASE IN MINIMUM WAGES WHICH WILL BE FORTHCOMING IN JUNE OR JULY ALSO HELPS AVOID WORKER UNREST. TWO WAGE INCREASES GIVEN SOME MONTHS APART PROVIDE MORE PSYCHOLOGICAL (IF NOT FINANCIAL) AID TO A WORKER FACING DIFFICULT TIMES THAN ONE RAISE WOULD, EVEN IF THAT ONE EQUALLED THE OTHER TWO IN SIZE. SOME OF THE GOVERNMENT OFFICES ARE PAYING THEIR WORKERS'

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INCREASES A LITTLE AT A TIME. THAT WAY THE WORKERS GET A SMALL INCREASE EACH MONTH UNTIL THEY REACH THE TOTAL OF THIRTY PERCENT TO WHICH THEY ARE ENTITLED. ALSO IN THAT WAY THE MONTHLY RISE IN THE COST OF LIVING HITS THEM A LITTLE LESS HARD. AS STATED ABOVE, THESE "GIMMICKS" DO NOT SOLVE ANYTHING, BUT THAT MAY MAKE THE PATH A LITTLE EASIER FOR SOME OF THE WORKING CLASS. 7. WORKERS HAVE SEEN THEIR REAL INCOMES GO DOWN SUBSTANTIALLY OVER THE PAST TWO YEARS OR SO. TRADE UNION LEADERS REALIZE THE EXTENT OF THE ECONOMIC DIFFICULTIES THEIR GOVERNMENT IS FACING. THE LEADERS KEEP TRYING TO EXPLAIN TO THEIR FOLLOWERS THAT BELT-TIGHTENING IS NECESSARY TODAY FOR BETTER DAYS TOMORROW. TO DATE, THE WORKERS HAVE BEEN LOYAL AND SUPPORTIVE. THERE IS CURRENTLY A DISCUSSION ON A RECENT PROPOSAL TO TAX SOME OF THE WORKERS' SOCIAL BENEFITS. LABOR IS PROTESTING LOUDLY AND FREQUENTLY AND WILL PROBABLY WIN THIS STRUGGLE. IF THE GOVERNMENT AVOIDS SIMILAR PITFALLS IN THE FUTURE, IT WILL MAINTAIN LABOR'S SUPPORT AND LOYALTY. IF IT TRIES TO CHIP AWAY AT THE ALREADY-REDUCED PURCHASING POWER OF THE WORKING CLASS THROUGH INCREASED TAXES OR OTHER METHODS, IT WILL BE ASKING FOR TROUBLE. TO DATE, WITH THIS ONE EXCEPTION, IT HAS NOT ASKED FOR SUCH TROUBLE.

(DRAFTED BY IRWIN RUBENSTEIN) GAVIN

END OF MESSAGE

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